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RESTAURANT SHOW

La. showgoers focus on economy

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BEER, WINE & SPIRITS

Making the wine list user-friendly

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FOOD

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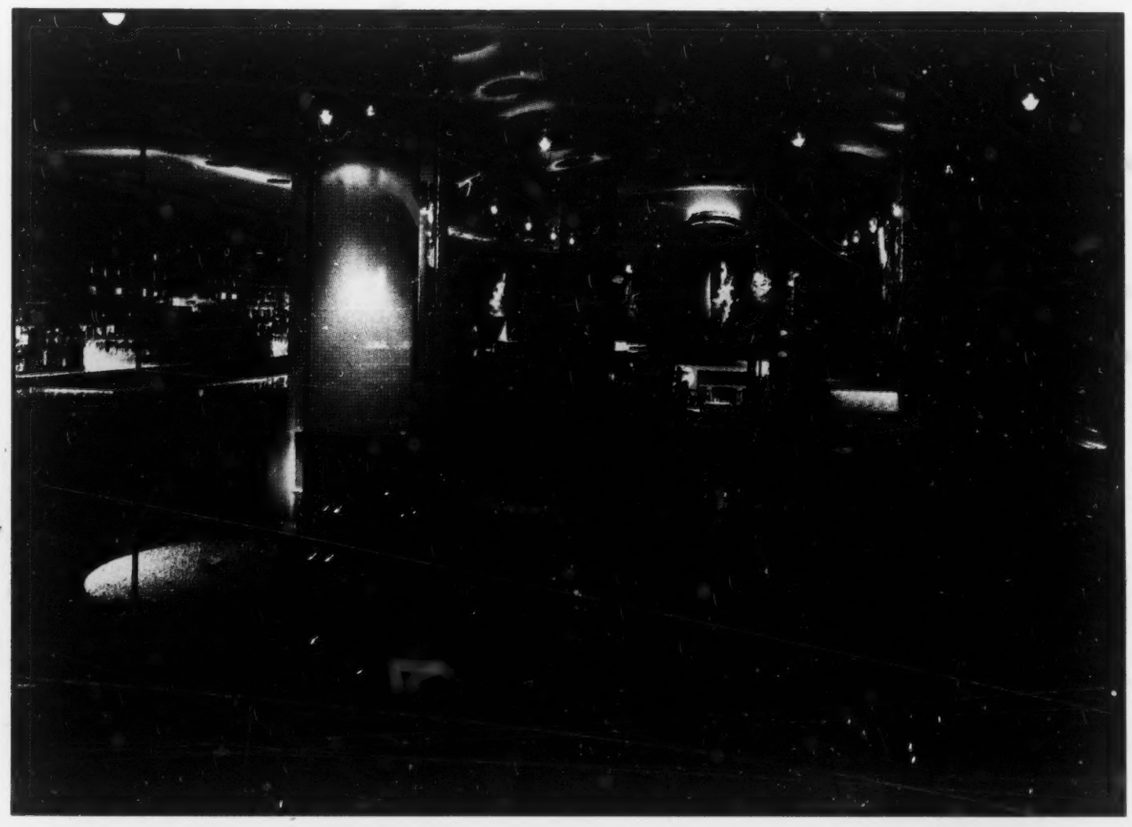

Photo by Dennis Anderson

The bar at Postrio, designed by Pat Kuleto, demonstrates the ribbon theme that runs through the marble flooring, carpeting, and some fixtures.

Informality, 'fun' top restaurant design trends

By Alan Liddle

Casual restaurants with a "no-design" look, decors that suggest a business has a "history" of providing good times, and theme restaurants are among the hottest trends in design, experts across the nation indicate.

A number of designers say building "fun" into restaurants is also very much in style as the industry turns the corner and heads into the next decade. Murals, which made their last big sweep through commercial and residential properties in the 1950s, are also appearing in more and more restaurants, designers say.

"We're really trying to keep it informal — those [casual restaurants] are the only things making any money right now," architect Bob Mesher, of Mesher, Shing & Milton in Seattle, reports.

"We're also trying to avoid making everything look like it was designed; the most comfortable places are the ones where you walk in and it looks like it's been there forever," Mesher adds.

Spiros Zakas, of Zakaspace Corp., says, "The biggest [trend] has to be the value-oriented warehouse look with exposed ceilings, cold floors, and [prominent display of] construction

*(See **DESIGN**, page F8)*

NY investors to acquire Jerrico

Castle Harlan forging 'kingdom'

By Peter Romeo

NEW YORK — A little-known holding company here has laid the cornerstone of a new restaurant empire by teaming up with another deep-pocketed investor to buy Jerrico Inc., operator of the Long John Silver's quick-service seafood chain.

Castle Harlan joined forces with DJS-Inverness, an architect of S & A Restaurant Corp.'s recent buyout, to tender a bid of $620 million. The $24.25-per-share cash offer was quickly accepted by Jerrico's board, which has kept other suitors at arm's length.

Castle Harlan has sampled the food-service business through the recent purchase of stakes in Atlanta's Peasant Restaurants and Chicago-based Morton's Steak Houses. Those operations are dwarfed by Lexington, Ky.-based Jerrico, which ranks as the nation's 19th-largest restaurant concern.

Leonard Harlan, president and co-

*(See **JERRICO**, page 59)*

Jerrico reduces costs, lifts income to 23.5%

See story page 12

New Orleans chefs trade hot for healthy

By Jack Hayes

NEW ORLEANS — In this Cajun-Creole capital of America — where culinary rules change only once every 100 years or so — it appears the heavy sauces and hot spices are finally going the way of the pirates.

In kitchen after kitchen here, chefs admit they are breaking generations of culture by lightening up their dishes to meet the growing demand for fewer calories, more nutrition, and subtler flavors.

While the change is not a wholesale abandonment of sacred menu cows like eggs sardou, seafood gumbo, an-

*(See **NEW ORLEANS**, page 4)*

Panelists gear up for MUFSO in New Orleans

See story page 3

Scott's to buy Manchu Wok

By Bill Carlino

TORONTO — Adding to its considerable restaurant arsenal, Scott's Hospitality Inc. has inked an agreement to acquire Manchu Wok, a quick-service Chinese food chain with 128 restaurants in the United States and Canada.

Terms of the sale were not disclosed. However, Manchu Wok founder Jack Lew said the agreement was contingent on allowing him to remain as president.

"They [Scott's Hospitality] said they would allow me to expand the company the way I feel it should be," Lew said. "In essence, what the sale has done is allow me to concentrate on the development end of the business."

Situated primarily in shopping malls, 67 units of the Manchu Wok chain are based in Canada, while 61 are in the United States. A total of 45 Manchu Wok restaurants are franchised.

Since I started Manchu Wok nine years ago, I was always searching for capital," Lew said. "I realized that it would be hard to get the money necessary for further expansion, so an acquisition made sense. Scott's had the money, and the price was right."

The largest Kentucky Fried Chicken franchisee with 550 units, Toronto-based Scott's Hospitality also operates selected franchises of Wendy's,

*(See **SCOTT'S**, page 59)*

FOOD WATCH

Puck bans commercial veal

WEST HOLLYWOOD, Calif. — Amid growing controversy about purportedly inhumane raising conditions and drug residues, chef-owner Wolfgang Puck has banned commercially raised veal from the menu of his trend-setting Spago restaurant here.

Puck still regularly offers specials of veal from a small Virginia farm, whose calves are reared in open stalls, fed whole milk and eggs, and not dosed with antibiotics. Similar methods are used by a few other regional producers, including the Northern California veal source for Puck's San Francisco

*(See **PUCK**, page 59)*

CHARLES BERNSTEIN: PIZZA MAY SUPPLANT BURGER AS KING — Page F3

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NEWS DIGEST

Hilton Hotels seeks talks with suitors

BEVERLY HILLS, Calif. — The directors of Hilton Hotels Corp. have instructed executives and financial advisers to contact parties interested in buying the company or its hotel operations.

The sale of Hilton's hotels would limit the company's operations to casino gaming. Ramada Inc. recently divested its hotels, paring back that concern's holdings to a few casinos.

Before the announcement Hilton's stock price had shot upward because of expectations that the company would seek a buyer. A restructuring of some sort had been expected since the company retained investment advisers several months ago.

Grand Met pays $288M for 3 European chains

LONDON — After thinning its U.S. restaurant holdings, Grand Metropolitan PLC has expanded its European operations by purchasing three food-service chains from United Biscuits for $288 million.

The UB Restaurant group comprises 381-unit Wimpy, which is regarded as Britain's largest string of hamburger restaurants; 131 Pizzaland restaurants; and 130 Perfect Pizza take-out-and-delivery outlets.

Grand Met, which acquired Burger King early this year, said the addition of the chains would facilitate Burger King's European expansion. "The addition of UB Restaurants will provide the extra scale needed for Burger King to become a major force in the important and growing fast-food market in the United Kingdom," said Ian Martin, chief executive of Grand Met's U.S. division."

Tony May plans transfer of Palio to chef Hellrigl

NEW YORK — Tony May has agreed to transfer ownership of his popular Palio restaurant here to the place's chef, Andrea Hellrigl.

Terms of the agreement were not disclosed.

May said he sought to divest Palio to focus on his other upscale Italian restaurants, which include La Camelia and San Domenico.

Chicago's 'Fast Eddie' enters food service

CHICAGO — Ed Vrdolyak, colorful ex-alderman and unsuccessful mayoral candidate, has opened Fast Eddie's Saloon in the River North neighborhood with two partners, Marshall and Manny Okmin.

Vrdolyak, a longtime Democrat, switched parties a few years ago to run against Harold Washington, the incumbent mayor and reform-minded Democrat. Vrdolyak is known for his quotable outbursts during city council meetings and behind-the-scenes deal making, which earned him the nickname "Fast Eddie."

His new venture features a large bar, a limited menu, and two brass elephant statues at the entrance. "But they're just pets; they're of no political significance," said Dario Cardella, general manager.

Reliance sells Days to Tollman-Hundley

ATLANTA — Reliance Group Holdings, an investment company controlled by financier Saul Steinberg, has agreed to sell its 858-unit Days Inn hotel chain for $765 million to Tollman-Hundley, the system's largest franchisee.

Steinberg acquired Days in the early 1980s from the family of chain founder Cecil Day for $275 million. Many of the hotels host coffee-shops operated under the names Daybreak and Tastyworld. At one point Days operated 239 of the food-service outlets.

New York-based Tollman-Hundley owns about 120 hotels, including some 50 Days properties. It has agreed to pay $90 million in cash and assume $675 million in debt.

USA Cafes seeks potential buyer for Bonanza

By Bill Carlino

DALLAS — USA Cafes L.P., franchisor of the 600-unit Bonanza family restaurant chain, has confirmed that it is negotiating to sell the company.

An inside source identified a bidder as Metromedia Corp., the New Jersey-based parent company of the 720-unit Ponderosa steak-house chain. However, representatives of both USA Cafes and Metromedia refused comment.

Spearheaded by its billionaire chairman, John Kluge, Metromedia recently negotiated to acquire up to 90 percent of Dallas-based S & A Restaurant Corp., operator of the Bennigan's and Steak & Ale family dinner houses.

USA Cafes confirmed the possibility of a sale following unusually heavy trading of its securities. Sam and Charles Wyly, co-founders of the 25-year-old Bonanza chain, reportedly sparked the sale discussions. Together, the Wyly brothers own 47 percent of USA Cafes' shares.

The sale speculation came days after USA Cafes reported that year-to-year net profits had dipped 20 percent, to $1.7 million, for the second quarter ended June 30. USA Cafes attributed the drop to hikes in general and administrative costs and the company's expanded managerial training programs.

Revenues for the period rose 3 percent, to $6.4 million, and systemwide sales climbed 3 percent, to $151.9 million.

Popeyes expands test of grilled-chicken cafe

METAIRIE, La. — Super Popeyes, the 6-month-old margarita-and-grilled-chicken experiment of A. Copeland Enterprises, is ready for testing beyond its original site here, according to reports.

Serving grilled-chicken and beef plates, salads, beers, and strawberry daiquiris in addition to fajitas, margaritas, and the regular Popeyes chicken and biscuit menu, Super Popeyes has been called the New Orleans hybrid of La Mirada, Calif.-based El Pollo Loco and Houston-based Two Pesos Mexican Cafes.

Chairman Al Copeland, who also heads Church's Chicken and Copeland's of New Orleans, would not answer the reports, which speculated that at least six more Popeyes stores are set to become grilled-chicken test sites, possibly under a different name.

McD launches test of McStick in Pa.

PHILADELPHIA — As part of a heightened effort to develop new customer draws, McDonald's has launched tests of McSticks here — individually wrapped carrot and celery sticks.

Nutritional information is printed on the plastic wrappers.

The sales trial was initiated a few weeks after the burger giant began a small-scale test of pizza.

The world's largest restaurant chain has been stung by a sales and profit slowdown. McDonald's has attempted to snap the slump in part by rolling out a McChicken sandwich and launching a "Bounce Back with Mac" coupon sweepstakes game.

Regner, wine authority, named to Lafayette post

NEW YORK — Noted wine authority Richard Regner has resigned as manager of chef Charles Palmer's Aureole restaurant here to become maître d' at Restaurant Lafayette, a nearby rival housed in The Drake Hotel.

Regner has previously served as wine director at Tavern on the Green, sommelier at the River Cafe in Brooklyn, and assistant wine director at Windows on the World.

FINANCIAL NEWS

Jerrico reduces costs, lifts income to $23.5M

By Milford Prewitt

LEXINGTON, Ky. — A number of cost-cutting measures and the installation of a sophisticated computer network for tracking and controlling restaurant expenditures are helping Jerrico Inc. boost profits.

Jerrico, the 1,525-unit Long John Silver's Seafood Shoppes operator which recently agreed to be acquired by a New York investment group, posted an increase in net income of more than 35 percent, to $23.5 million, on a 4.4-percent boost in annual revenues, to $663 million, for 1989.

The company's efforts to reduce overhead had helped it recapture Wall Street interest before a $620 million buyout deal was struck with a group led by DJS-Inverness & Co. In stock trading the week prior to the announcement, Jerrico closed at $20.12 per share, just a $1 shy of its 52-week high and up $6 from its 52-week low.

"They've been a disappointing company for some time," said Bryan C. Elliott, an Atlanta-based analyst with Robinson Humphrey. "But they look like they are starting to move at long last. They are clearly working to improve profitability and bring it up to where they should be."

In addition to its recent dismissal of 61 persons from its 560-person corporate headquarters staff, Jerrico has implemented a series of programs to improve its operations and profits.

At the top of the list was the installation in June of a sophisticated computer system in each company-owned Long John Silver's restaurant, designed to control and monitor operating costs.

The computer uses management software to calculate on a daily and hourly basis labor and food costs as a percent of sales. Moreover, it monitors the amount of time spent in such labor activities as food preparation, cleaning, maintenance, and service.

A Long John Silver's Sea Food Shoppes unit.

Upon conclusion of the work day, unit managers are supplied with a printout detailing the store's actual labor and food costs ratio as a percent of sales, and these figures are compared with an ideal ratio. It behooves unit managers to approximate as closely as possible the ideal operating ratio because bonuses are keyed to their ability to keep food costs and labor in check.

On the marketing side, Jerrico has committed itself to an increase in its advertising budget — largely dedicated to television — to 6 percent of systemwide sales. According to Leslie Steppel, analyst at Prudential-Bache, the increase could mean an annual budget of about $50 million. Already, the company has made a strong effort to market its new "Homestyle Fish," which accounts for 20 percent of unit orders.

Although the company's volume and profits are increasing, Jerrico's staunchest competitor in the segment, the 588-unit Captain D's Restaurant chain, is hot in pursuit.

Captain D's, operated by Shoney's Inc., enjoys the highest annual average unit sales in the segment, $636,000, and one of the highest traffic counts. Analysts expect Long John Silver's traffic volume to remain flat in the short term despite its increasing unit sales.

Howard Hansen, an analyst with Kidder, Peabody, cautiously applauded Jerrico's efforts to reduce its overhead and become a more efficient operator.

"It's a very positive development," Hansen said. "All cost-savings measures are good as long as you don't sacrifice your operations."

Despite last year's drop in the price of cod fish Hansen noted, and a subsequent attempt by Jerrico sought to raise its marketing profile, Captain D's customer counts still outpaced those of Long John Silver's.

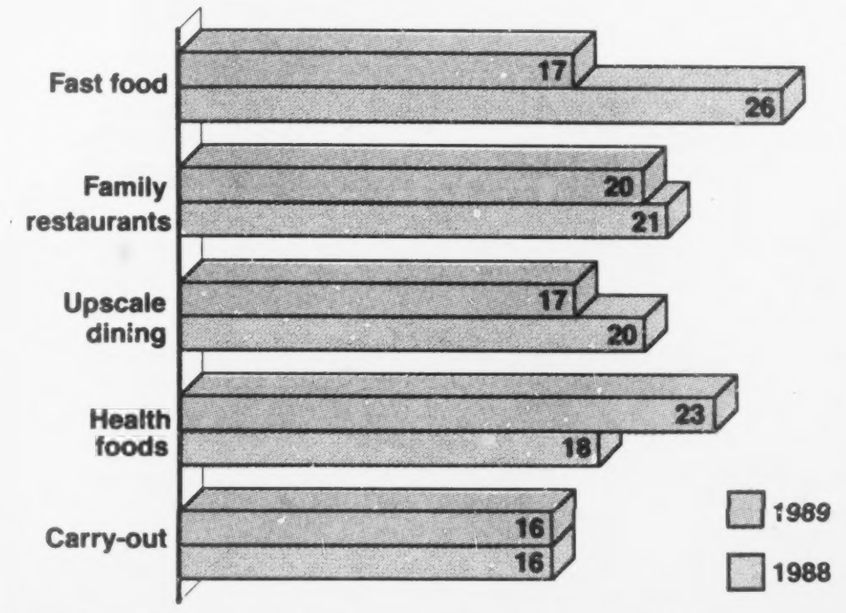
"And Long John Silver's customer counts have been pretty flat since then," Hansen said. "We were hoping what had happened to Captain D's would have occurred at Long John Silver's."

FACT FILE

A look at the statistics shaping the industry

HEALTH FOOD PROVES UNHEALTHY FOR FAST FOOD

(sectors with greatest growth potential, in percent)



Source: Research Performance Inc., Tarrytown, N.Y., 1989 survey of 300 food-service operators.

NRN FINANCIAL DIGEST

Friday's boosts profits 20%

DALLAS — TGI Friday's Inc. said increases in comparable-store sales, labor savings, and interest income helped lift its net income 20 percent, to $3.9 million, despite a 2-percent fall in revenues, to $97.7 million, for the second quarter ended July 3.

The drop in revenue reflects the deferral of operating results from the 25 restaurants the company has identified for disposition through sale or sublease, most of which are being sold to franchisees.

For the first six months, Friday's net income rose 21 percent year over year, to $6.7 million, on a 3-percent decline in revenues, to $191 million.

Comparable store sales for the company's T.G.I. Friday's and Dalts increased 5.8 percent during the latest quarter.

Friday's recently agreed to merge with Minneapolis-based Carlson Hospitality Group, which had already held 80 percent of Friday's stock.

National Convenience sells 37 stores

HOUSTON — National Convenience Stores said it will sell its Nashville operations, which include 37 operating units, to Mapco Petroleum Inc. for an undisclosed amount of cash.

Proceeds from the sale, expected to close in September, will be used to pay down bank debt, National said.

In order to reduce interest expense, National intends to repay $100 million of debt over the next 12 months through a combination of operating cash flow, asset sales, and sale-leaseback transactions, it said.

Marriott OKs sale of In-Flite

WASHINGTON — Marriott Corp. said its board has ratified the exchange agreement for the transfer of its airline catering division, Marriott In-Flite Services, to an investment group headed by executives of the division.

Last month Marriott said it had signed a definitive agreement to sell In-Flite to an investor group called Caterair International that includes Daniel Altobello, head of Marriott's airport operations, Frederic Malek, a former Marriott executive, and other officers of the unit.

Analysts value the deal at about $600 million.

Applebee's to go public

WASHINGTON — Applebee's International Inc., which operates and franchises the Applebee's Neighborhood Grill & Bar chain, said it has filed for an initial public offering of 2.03 million shares of common stock.

The company anticipates an offering price of $10 and $12 per share.

Of the 2.03 million shares, Applebee's is offering 1.4 million and certain stockholders of the company are offering the remaining 630,000 shares.

The company will use its proceeds to repay existing debt and develop new restaurants, according to Securities & Exchange Commission filings.

FOOD PRICE OUTLOOK

Lettuce prices continue strong

California **iceberg lettuce** has been holding at prices well above last year at this time, despite acreage running about the same as last year. Observers expected the price to drop when Colorado and New York growers came into the market, but it hasn't happened. Demand has been extremely strong this year and has held up the price.

Prices on California's fresh **strawberries** have been low; the big crunch is in frozen berries. Northwest and California packers didn't get expected deliveries this year, so the pack is sharply down. Mexican imports are running about a third less than last year. The result: distributors are having problems finding frozen berries. Some packers have prorated their customers to as low as 50 percent of usual purchases. Expect prices to climb further.

Canned pink salmon will be in short supply again this year, for the third year in a row. Look for higher prices in the fall. On the other hand, the **red salmon** pack is turning out to be a good one and may be as much as four times larger than last year, (which was one of the smallest in the last 10 years). Look for lower prices come fall.

Look for higher **canned tuna** prices. Although the industry was packing at a furious pace the first part of the year, output has slowed and supply-demand forces should advance prices.

Canned cling peach prices may lower a little by fall. The California pack is forecast at 12 to 15 percent larger than last year's . . . The U.S. **canned tomato** pack is expected to be up by 32 percent over last year, according to the U.S. Department of Agriculture. All producing states are reporting increases. Expect price decreases . . . **Tomato paste** prices coming down on good pack in California and reports of increased imports.

— Patt Patterson

FOCUS | OPINION

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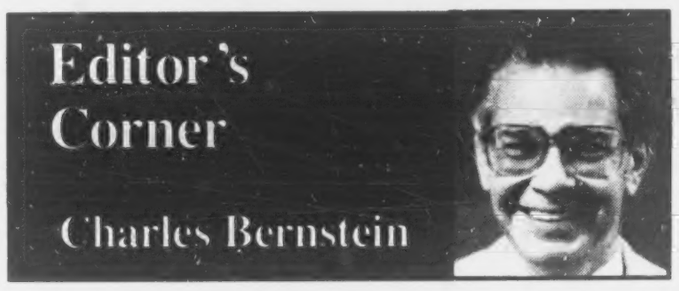
Pizza may supplant burger as king

When Donald N. Smith joined PepsiCo as president of its restaurants group (Pizza Hut and Taco Bell) a decade ago, he asserted a conviction that some day pizza would surpass burgers as America's most popular dining-out food. This was quite an admission for an executive who had risen to chief operations officer of McDonald's and then was president of Burger King for three years.



It raised eyebrows in the industry, where the belief was almost universal that the burger — entrenched as king for so many years — simply could not be overtaken, even if burgers were slipping a bit. Coincidentally, Smith ended up with Godfather's Pizza as part of his company in a deal that was initiated before he arrived as president of Chart House Inc. and switched the name to Diversifoods.

Today, as chairman of both Perkins Family Restaurants and Friendly Restaurants, Smith is mostly an observer of the burger and pizza wars but no doubt must feel that his prediction of pizza supremacy may be nearing fruition.

The clincher on the possible emergence of pizza as the No. 1 selling item comes from none other than McDonald's itself. Never one to miss an opportunity, McD is rolling out four varieties of pizza pies in a dinnertime test at 15 units in the Evansville, Ind., area. Besides potentially driving up the average ticket by pricing the pizzas from $6 to $10, McD could substantially boost its dinner business. McD knows a popular item when it sees one.

Actually, McD has tested several versions of pizza over the past few years. There can be no question that McD has the capability to produce a quality McPizza, just as it has been so successful with Chicken McNuggets.

Incidentally, chicken is also gaining on the burger although not with the same momentum as pizza.

It is not nearly as tough as some might imagine for McD to get into the business today, with modern ovens and equipment able to produce fresh-cooked pizza within six minutes. While Pizza Hut does not like to call itself fast food, McD would continue to do so.

The ultimate irony is that McD itself could become the driving force for pizza to surpass burgers in the industry. Still, McD is not likely to ever forget its burger origins and the fact that burgers got it where it is today.

Overall, burgers have at least a 3-to-2 sales-ratio lead over pizza. But pizza sales are already growing by 10 percent annually while burgers' rate of increase has slowed to 7 percent. And there actually are more pizza units than burger units.

The Big 3 of pizza are Pizza Hut; Domino's Pizza, the undisputed home delivery champion; and Little Caesar's, the carry-out leader. But there are literally hundreds of other pizza chains, including Godfather's Pizza, Round Table Pizza, Pizza Time Theatre, Noble Roman's, Sbarro, Pantera-Pizza Inn, and Shakey's (which just named Gene Stone president). The latter two companies are suffering but could rebound under new managements.

Profit margins at the stronger pizza chains are well above average as pizza has an excellent cost structure.

Burgers are mostly a chain business, grinding out the numbers. Pizza is far more adaptable to the mom-and-pop operator, who accounts for almost half of the total $20 billion pizza volume today. These smaller operators, with annual unit volumes in the $100,000 to $300,000 range, are likely to become even more important factors. Regional pizza chains, possessing intensive marketing clout, also loom as formidable.

With the couch-potato syndrome and people growing far more comfortable simply ordering in, pizza has another advantage as an ideal take-out and home-delivery item. Pizza also has been able to project a healthier image than burgers, and that is a crucial factor to many customers.

Since these are key trends for the 1990s, it would not be a total shock if pizza indeed does overtake burgers as America's most popular food.

Where youngsters once were brought up on burgers, pizza seems to be taking over that role in a cultural transformation. While the burger is indeed still the king, pizza is the queen and is bidding to take over the king's role.

Donald N. Smith's crystal ball of a decade ago may have been more perceptive than people realize — even if it still may take another decade before pizza truly becomes No. 1.

LETTERS

Domino's stands behind its driving-safety rules

Editor, NRN,

We obviously read with great interest your Editor's Corner column, "Safety first: Slow the pizza delivery pace."

We don't recall anyone from your publication checking with us on this issue. Since we are taking most of the criticism, we thought we would respond.

First, one death in our system is one too many. The safety and security of our employees is *the* No. 1 priority. In 1988, our spending on security and safety exceeded our profits.

Our concern with safe driving includes:

- A Motor Vehicle Registration (MVR) check of drivers' licenses.
- A listing of safety rules on the back of pay checks.
- A training program that has been used in conjunction with the National Safety Council, and an updated version of that program that is being put together by top behavioral scientists in the country.
- A toll-free phone number where customers can call if they suspect our drivers are not following the rules of the road.
- Incentive programs for drivers.

We do not condone unsafe driving.

We have been hesitant to get into a statistical discussion with the news media because the numbers tend to get out of context. As mentioned, one death is one too many, and we're going to seek to eliminate that one fatality.

However, we did not have 20 delivery-related fatalities in 1988. In fact, after looking at each case, we've had incidents where our people were the victims of the negligent driving of other persons, as are the 55,000 Americans who are the victims of unsafe driving in the United States each year.

Quite frankly, these incidents had nothing to do with our guarantee. But we are going to seek to eliminate any senseless driving fatality.

Finally, we've read with great interest what our competition thinks about a guarantee. Some claim it's unsafe. Some don't use one.

One question we'd be inclined to ask: "Have those in the pizza delivery business who do not have a guarantee totally eliminated traffic accidents?"

— Ronald A. Hingst
public relations director
Domino's Pizza
Ann Arbor, Mich.

It's a buyer's market: Sellers must stay sharp

Editor, NRN:

The "Dwyer Business Sales Division" of our company has sold an average of 25 restaurants and bars each year since the mid 1950s. Because of this continuing activity, we are all too aware of the problems involved.

The June 12 Viewpoint article entitled "How to succeed in selling your business" was correct to a point. Where it faltered, however, is in the statement that "for every seller there are about 10 buyers." In fact, today's situation is almost exactly the opposite.

Because there are so many more sellers than there are serious, qualified buyers, buyers have a lot more to choose from before they make a final decision. This "buyer's" market has affected the sale of restaurants in two ways: it is taking far longer to make a sale and achieved prices are considerably lower — down almost 20 percent in the last two years.

Furthermore, the authors are entirely correct when they suggest that the seller "put himself in the shoes of the buyer." However, they fail to address one of the greatest problems in selling restaurants.

With very few exceptions, other businesses are sold on their investment value to the buyer — in other words, how much profit can a business generate for the required investment.

In the past, restaurant buyers were often content to purchase for a price based on a multiple of gross sales. More and more, today's buyer is demanding detailed proof of the business's ability to generate profits.

The best time to begin planning the sale of a business is the day it begins operation. Operators planning to sell at any time in the future should remember that today's buyers will most likely demand accurate, up-to-date books and records and should seriously consider adjusting their bookkeeping to reflect a truer picture.

— John H. Seidl
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